

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY OTTAWA

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E.O. 11652, N/A

TAGS: EINV, CA

SUBJECT: CANADIAN FOREIGN INVESTMENT REVIEW ACT - PHASE II

REFS: (A) STATE 175719; (B) OTTAWA 2790, (C) OTTAWA 2681

1. OUR ANALYSIS OF PHASE II REGULATIONS GENERALLY CONFIRMS IMPRESSION CONVEYED REFTELS B AND C (REPORTING CONVERSATIONS WITH FIRA COMMISSIONER MURRAY) THAT GOC ATTEMPTING MINIMIZE NEGATIVE EFFECTS OF NEW REGULATIONS ON INFLOWS OF FOREIGN INVESTMENT. WE ARE THEREFORE HOPEFUL THAT GOC WILL APPLY NEW REGULATIONS IN A FAIR AND EQUITABLE MANNER ESPECIALLY WITH REGARD TO U.S.-OWNED ENTERPRISES.

2. AT THE SAME TIME, WE WILL FOLLOW PHASE II IMPLEMENTATION CLOSELY. EMBASSY SHOULD THEREFORE MAINTAIN CONTACT

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WITH MURRAY AND OTHER OFFICIALS ON THIS SUBJECT, INDICAT-

ING THAT:

A. WE RECOGNIZE THE GOC'S SOVEREIGN RIGHT TO ESTABLISH TERMS AND CONDITIONS FOR FOREIGN INVESTMENT IN CANADA, BUT EXPECT THAT ANY SUCH MEASURES WILL NOT BE UNDULY ONEROUS, AND WILL BE APPLIED FAIRLY, REASONABLY, AND IN A NON-DISCRIMINATORY MANNER.

B. WE BELIEVE THAT OUR ECONOMIC INTERDEPENDENCE IS MUTUALLY ADVANTAGEOUS, AND THAT IT IS IN OUR MUTUAL INTEREST TO MAINTAIN GOOD BILATERAL ECONOMIC RELATIONS, AND THE FREE FLOW OF INVESTMENT BETWEEN OUR TWO COUNTRIES.

C. WE ENCOURAGE THE GOC TO CONTINUE CONSULTATIONS WITH MAJOR FOREIGN INVESTORS LIKELY TO BE AFFECTED BY PHASE II TO ELICIT THEIR VIEWS AND TO ELIMINATE UNNECESSARY CONCERN AND UNCERTAINTY CONCERNING ITS IMPLEMENTATION.

D. WE ARE CONCERNED BY THE POSSIBILITY OF SIGNIFICANT ADMINISTRATIVE DELAY IN OBTAINING APPROVALS, AND ENCOURAGE THE GOC TO CONSIDER ABBREVIATED PROCEDURES IN CERTAIN CASES TO EXPEDITE THE REVIEW PROCESS, E.G., BY EXEMPTING SMALL INVESTMENTS FROM CABINET CONSIDERATION. KISSINGER

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